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November 22, 2007

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Dear Sirs,

We extend our sincere appreciation for your kind attention being given to our Company.

We are pleased to send you herewith a copy of the 57th Daiei Business Report of our Company for the six-month period ended August 31, 2007.

Yours faithfully,

Shinji Hikoe

Shinji Hikoe
Divisional Manager
Finance Division
The Daiei, Inc.

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To our shareholders:

OFFICE OF INFORMATION
DAIEI CO., LTD.

This year marks fifty years since our company was established. We deeply appreciate that this is solely due to the support and patronage we have gratefully received from shareholders, customers and business partners.

In May of this year our company developed the "New Midterm Business Plan of the Daiei Group", which is starting this fiscal year. We positioned this plan as the final stage of our regeneration, and we will examine the effectiveness of various measures that have been carried out based on the "Business Regeneration Plan" and make company-wide efforts to achieve desired goals, as well as establish "stable profitability" from which to make strategic moves toward a great leap in the future.

As part of the specific measures in the "New Midterm Business Plan of Daiei Group", we are currently conducting various activities, including the promotion of sales strategies suitable for the particular characteristics of local areas, the remodeling of stores to make overall building spaces more attractive, the enhancement of tenants' performances, and the opening of new stores.

Also, we are going to take advantage of capital and the business alliance with AEON Corporation and Marubeni Corporation, which was decided last March, by effectively utilizing management resources owned by each company, improving efficiency through sharing know-how, and undertake various activities using the advantages of scale. We will further improve profitability in retail business by executing the delivery of products and services to our customers' satisfaction and maximizing effects. To embody this alliance, we are dispatching our employees to the three new companies with the respective functions of the "Development of PB (private brand)", "Aggregating customers' demand" and "SCM (supply chain management)", established by AEON, to participate in activities to share the knowledge of both companies. Also, last October, we have decided to restructure the brand system of our own developed products. In the future, to pursue economic value utilizing the advantages of scale, the existing economy brand of "Saving" will be switched to the "TOPVALU" brand, which will be jointly developed by AEON TOPVALU Corporation and our company. As for value-added brands (such as "Oishiku Tabetai!", "Aichaku Shiyo" and "SALIV"), we will review and enhance them as our own unique differentiated brands, which enable us to offer products supported by customers.

As a result of the disposals of shares in OMC Card Inc. and Maruetsu Inc. in the first half of this term, we substantially reduced our group's interest-bearing liabilities (excluding OMC

Card Group) to 117.3 billion yen as of the end of August. Also in this September, we conducted refinance for early repayment of borrowings maturing at the end of February 2008, and funding for capital investment. We believe that these resolved financial problems ahead of schedule.

Our company position this 50th anniversary is that of a “New Start”, and we will return to our retail store origins and securely carry out various measurements in the “New Midterm Business Plan of Daiei Group”. We will realize an “improvement in customer satisfaction” and “earn trust from society” to meet shareholders’ expectations, by concerted efforts being undertaken by all directors and employees to tackle all issues together.

We are also determined to further focus on the “delivery of secure and safe products” and the “improvement of customer convenience”. We would greatly appreciate your further help and encouragement in the future.

November 2007

Toru Nishimi

President

New Midterm Business Plan of the Daiei Group (Summary)

<Business Regeneration Plan>

Period to strengthen the basis for profitability improvement in the future

<New Midterm Business Plan of Daiei Group>

Final stage to complete the regeneration

Building “stable profitability”

Establishment of a “highly profitable corporate” model, specializing in the core business (i.e., retail)

Group strategy: Improve attractiveness of stores, by concentrating all business resources in retail business

Store strategy: Establish five regional sales head offices to plan respective regional growth strategies

Product strategy: Develop merchandizing, shifting from “food-oriented” merchandizing to a more balanced “clothing, food and housing” merchandizing

Sales floor and marketing strategy: Improve profitability of the whole store, by achieving floor space to “deliver value-added products”, including service tenants

Maximization of capital and business alliance effects with AEON and Marubeni

Product strategy

Sharing and standardization of products and manufacturers’ strategies, while retaining the uniqueness of each company

Promotion of co-operative purchasing, development and procurement, making the best use of the advantages of scale

Promotion of co-operative purchasing and procurement

Consolidation of material suppliers and sharing materials

Facilitation of the cooperative marketing of global manufacturers’ products and domestic brand products, etc.

System strategy

Sharing system building know-how

Joint utilization of existing systems

Physical distribution strategy

Consideration of the strategic integration of distribution facilities

Material and service costs reduction strategy

Co-operative procurement by sharing specifications

Joint development of low-cost management methods

Tenant strategies

Sharing of tenants' information, mutual introducing of prospective tenants, and co-operative procurement

Further improvement of profitability in retail business

Efforts to enhance marketing expertise

[Remodeling of stores and introduction of tenants]

In this 1st half, as part of the store remodeling efforts that are in line with the stores' individual characteristics, in stores such as the Omiya store, Shoppers Plaza Shin-Urayasu, we have actively introduced external tenants and promoted the construction of attractive store floors with synergetic effects between our own stores and the tenants.

By using property management methods, which have been adopted in Shoppers Plaza Shin-Urayasu and the Kanazawa Hakkei store, we are improving the profitability of the entire buildings. We are also gradually expanding the introduction of the "tenant SV (supervisor)" system.

"OPA" and "Tokyu Hands" (Omiya store)

The household goods shop "L.B.C." (Shoppers Plaza Shin-Urayasu)

Suits & Casual shop "ORIHICA" (Kanazawa Hakkei store)

[Opening new stores]

In this 1st half, we have opened four stores including Gourmet City Kokura-Adachi (Fukuoka prefecture), Gourmet City Amagasaki-Daisho (Hyogo prefecture), Daiei Gourmet City Naka-Mozu (Osaka prefecture), and Gourmet City Kohoku-Minamo (Kanagawa prefecture). Also, Gourmet City Kinki Corporation has opened one store, and Big A Corporation opened four stores.

Furthermore, this September, Gourmet City Chiba-Chuo (Chiba prefecture) was opened.

Daiei Gourmet City Naka-Mozu

Sells fresh produce from local farmers and the fishery harbor

Gourmet City Kohoku-Minamo

Full line-up of functional drinks, responding to customers strong needs

Gourmet City Chiba-Chuo

Selling a variety of small packed products or simple and convenient products, in line with local characteristics

[Topics from sales floor]

Don't miss it! "Thursday Market"

We are now holding the "Thursday Market" as a new weekly event. "Thursday Market" features various terrific deals, including "Mori-Mori Ichi" (a market with an abundance of products) and "Seigyo Ichi" (a fresh fish market) where all vegetables, fruits and fish are fresh and in season. We look forward to serving you!

*At some stores, there is "Tuesday Market" held on Tuesday, instead of a "Thursday Market".

Store floor of "Thursday Market"

We have completed the introduction of a new point program.

In this 1st half, we completed the introduction of new point program in each store of our company and four Gourmet City companies. This program has been promoted to improve customers' convenience and satisfaction.

In this new point program, customers can use the "Heart Point Card" at any store and accumulate the points which are obtained each time they go shopping.

"Heart Point Card"

Our recommendation for the season; "Raku-raku Cooking Kantan Nabe"

The "Raku-raku Cooking Kantan Nabe" has already become a popular product of the winter season, with which Japanese Nabe (one-pot meal) can be served very simply. You can enjoy authentic and professional flavors at home in an easy manner with this Nabe pot, which received the supervision of Tsuji Gakuen.

In addition to the existing aluminum-pot type, we have now added a microwavable pot to the line up, in responding to the needs for more simple and convenient products from customers. They would be great for lunches or midnight snacks for students preparing for exams, as well as for hectic evening dinners.

"Pirikara zouni with udon noodles (spicy rice cake soup with noodles)" <microwavable pot>

"Mame to yasai no consome soup (beans and vegetables consommé soup)" <microwavable pot>

"Yose nabe (chowder)" <aluminium pot>

"Gyuniku Sukiyaki nabe (beef sukiyaki)" <aluminium pot>

Capital and Business Alliance with AEON and Marubeni

We are carrying out various measures as part of specific efforts of the capital and business alliances with AEON Corporation and Marubeni Corporation, which was decided last March.

[Products]

Starting efforts for the promotion of joint marketing, joint purchasing and the development of products

Developing a joint marketing promotion project with Coca Cola System for the “Eco de Happy Seikatsu Campaign” (happy ecology life campaign) in stores nationwide, as well as other joint projects with Itoham Foods Inc. and Yamazaki Baking Corporation, etc.

Starting sales of new products introduced by AEON (such as the “Root Cyclone Cleaner” from Dyson, etc.).

Dispatching employees from our company to AEON TOPVALU Corporation, AEON Global Merchandising Corporation.

Starting sales of “TOPVALU 24 colors Randoseru” (school bags) and “Eraberu AEON no gakushu-zukue” (AEON study desks of your choice), to enhance school start-related product line-ups.

Rebuilding of brand structure

Economy brand

From March 2008, we have been gradually switching from “Saving” to “TOPVALU”, a jointly developed brand with AEON TOPVALU Corporation. For categories in which our company does not have line ups, existing “TOPVALU” products will be introduced.

Value-added brands

We are rebuilding brands for each product category of clothing, food and housing to make them our unique differentiated brands, and reviewing and enhancing brands so that they are further supported by our customers.

Food: Unify brands to “Oishiku tabetai!” only, and expand the development area of the brand from processed food to fresh produce.

Clothing: Launch a new brand, “Aichaku shiyo” (manufactured for affection), and promote product development.

Housing: Expanding development area of existing “SALIV” to cover all livingware.

<Plan for fiscal 2008>

| | Brand Name | Number of prospective items | Sales target (in 100 million yen) |
|--------------------|------------------|-----------------------------|-----------------------------------|
| Economy brand | TOPVALU | About 980 | About 200 |
| Value-added brands | Oishiku Tabetai! | About 390 | About 200 |
| | Aichaku Shiyo | About 400 | About 47 |
| | SALIV | About 350 | About 12 |

[Others]

Systems and physical distribution: Jointly utilize the large product distribution system of AEON Corporation.

Dispatch our employees to AEON Global SCM Corporation.

Material and service costs reduction: Change contracted company for security and facility management to AEON delight Corporation

Switch consumable goods and packing materials by sharing specifications.

Tenant: Share tenant information, etc.

50th Anniversary Events, etc.

We have developed various sales and events, in appreciation for continued business and supports over these 50 years.

[Great Thank-you Sales]

We held a large 50th anniversary thank-you sale three times during the Golden Week holiday, in early summer and around our foundation day.

Large amount of projects, including “50th Anniversary Limited Version Package Products”, “Win Daiei Developed Products & Sponsor’s Products”, “Special 50th Anniversary Coupon Project”, and the “Eighty-nine Yen Sale”, etc.

We are also planning to have an all out big sale during the year-end and New Year shopping season.

Eighty nine yen sale

Logo mark and catch-phrase reflecting our thoughts and hopes at the 50th anniversary

[Special Events for the Anniversary]

We have held special events to express our appreciation for the 50th anniversary at five stores on September 23, our foundation day.

Each store at Shin-Urayasu, Kyobashi and Sasaoka had a talk show with special guests on the theme of Japanese home cuisine and our company’s approach to food. In addition, a tasting party of the recipes in “Zutto Oishii Ouchi Gohan” (Always Delicious Home Cooking) was held.

All stores offered giveaways of the “Daiei 50th Anniversary Hello Kitty Mug” on a first-come, first-served basis.

Customer receiving mugs

Talk show at Shin-Urayasu store

(From left: Tokiko Suzuki, a food researcher; Miyuki Kosaka, a TV personality; and Toru Nishimi, our president)

We Offered “50th Anniversary Special Prices” for a Limited Period of Time

Sold 100 food product items from the “Saving” brand at about 10% off on average from regular prices

Sold all items from the “SALIV” brand at 10% off regular prices

Selected about 350 items for each month among food, clothing and household items, which are helpful for customers’ daily lives, and sold them at bargain prices as “Special and Good Price Supporting your Lives”.

“Zutto Oishii Ouchi Gohan”

Our company has assisted in the editing of the “Zutto Oishii Ouchi Gohan” book, which represents our thoughts and ideas based on our slogan “Gohan ga Oishiku Naru Super” (A Supermarket for More Delicious Meals), and the book was published by Orange Page Inc.

The book looks back on Japanese home cuisine over the last 50 years and our company’s approach to food, focuses on the importance of family meals, and introduces various recipes which should be passed down to younger generations.

“Zutto Oishii Ouchi Gohan”

Financial Condition: Condensed Interim Consolidated Financial Statements

Interim Consolidated Balance Sheet

(Unit: million yen)

| | Previous Interim Period (As of August 31,2006) | Current Interim Period (As of August 31, 2007) | Previous Fiscal Year (As of February 28, 2007) |
|------------------------------------|---|---|--|
| (Assets) | | | |
| Current Assets: | 704,860 | 679,237 | 699,493 |
| Cash and cash equivalents | 151,810 | 114,397 | 126,379 |
| Notes and accounts receivable | 144,764 | 162,877 | 142,910 |
| Inventories | 52,602 | 51,073 | 51,436 |
| Deferred tax assets | 13,436 | 37,891 | 13,818 |
| Short-term loans | 337,819 | 363,532 | 362,595 |
| Others | 46,506 | 39,668 | 44,226 |
| Allowance for doubtful accounts | ▲42,077 | ▲90,201 | ▲41,871 |
| Fixed Assets: | 530,738 | 413,577 | 439,916 |
| Property and Equipment | 303,258 | 205,378 | 215,038 |
| Buildings and structures | 104,449 | 70,348 | 71,911 |
| Land | 173,044 | 109,460 | 117,453 |
| Others | 25,765 | 25,570 | 25,674 |
| Intangible Fixed Assets | 26,489 | 19,210 | 24,794 |
| Goodwill | 10,985 | 3,577 | 10,545 |
| Others | 15,504 | 15,633 | 14,249 |
| Investments and Other Assets | 200,991 | 188,989 | 200,084 |
| Investment securities | 23,645 | 14,640 | 23,809 |
| Guarantee money deposited | 170,263 | 146,715 | 155,256 |
| Deferred tax assets | 1,809 | 16,530 | 10,703 |
| Others | 38,108 | 44,788 | 43,261 |
| Allowance for doubtful accounts | ▲32,834 | ▲33,684 | ▲32,945 |
| Total Assets | 1,235,598 | 1,092,814 | 1,139,409 |

| | Previous Interim Period (As of August 31, 2006) | Current Interim Period (As of August 31, 2007) | Previous Fiscal Year (As of February 28, 2007) |
|---|--|---|---|
| (Liabilities) | | | |
| Current Liabilities | 447,763 | 516,974 | 606,401 |
| Notes payable and accounts payable-trade | 92,664 | 92,064 | 85,105 |
| Short-term borrowings | 83,092 | 86,060 | 83,542 |
| Current portion of long-term borrowings | 182,397 | 236,223 | 330,663 |
| Accrued expenses | 26,437 | 27,140 | 25,908 |
| Others | 63,173 | 75,487 | 81,183 |
| Fixed Liabilities | 626,814 | 340,600 | 344,349 |
| Long-term borrowings, less current portion | 505,977 | 217,018 | 228,201 |
| Guarantee money received | 27,894 | 28,417 | 28,958 |
| Employees retirement reserves | 22,840 | 23,796 | 22,528 |
| Allowance for business restructuring | 44,500 | 13,638 | 21,894 |
| Allowance for interests' payment | — | 30,095 | 18,914 |
| Others | 25,603 | 27,636 | 23,854 |
| Total Liabilities | 1,074,577 | 857,574 | 950,750 |
| (Net Assets) | | | |
| Shareholders' Equity | 109,608 | 185,624 | 138,826 |
| Capital stock | 56,517 | 56,517 | 56,517 |
| Capital surplus | 56,501 | 56,501 | 56,501 |
| Retained earnings | ▲481 | 75,546 | 28,742 |
| Treasury stock | ▲2,929 | ▲2,940 | ▲2,934 |
| Gains/losses from valuations and exchange adjustments | 15,961 | 13,024 | 14,226 |
| Net unrealized gain on available-for-sale securities | 1,089 | 136 | 603 |
| Land revaluation surplus | 14,796 | 12,747 | 13,518 |
| Deferred gain on derivatives accounted for under hedge accounting | 1 | ▲0 | — |
| Foreign currency translation adjustments | 75 | 141 | 105 |
| Minority Interests | 35,452 | 36,592 | 35,607 |
| Total Net Assets | 161,021 | 235,240 | 188,659 |
| Total Liabilities and Net Assets | 1,235,598 | 1,092,814 | 1,139,409 |

Interim Consolidated Statement of Changes in Shareholders' Equity

(Unit: million yen)

| Current Interim Consolidated Fiscal Period (From March 1, 2007 to August 31, 2007) | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of February 28, 2007 | 56,517 | 56,501 | 28,742 | ▲2,934 | 138,826 |
| Changes during the interim fiscal period | | | | | |
| Reversal of land revaluation surplus | | | 771 | | 771 |
| Interim net profit | | | 46,033 | | 46,033 |
| Disposal of treasury stock | | | ▲0 | 1 | 0 |
| Acquisition of treasury stock | | | | ▲6 | ▲6 |
| Changes (net amount) of items other than shareholders' equity during the interim fiscal period | | | | | |
| Total changes during the interim period | - | - | 46,804 | ▲6 | 46,798 |
| Balance as of August 31, 2007 | 56,517 | 56,501 | 75,546 | ▲2,940 | 185,624 |

| Current Interim Consolidated Fiscal Period(From March 1, 2007 to August 31, 2007) | Gains/losses from valuations and exchange adjustments | | | | | Minority interests | Total net assets |
|--|---|-----------------------------|---------------------------|--|--|--------------------|------------------|
| | Unrealized gain/loss on other available-for-sale securities | Deferred hedge gain /losses | Land re-valuation surplus | Foreign currency translation adjustments | Total gains /losses from valuations and exchange adjustments | | |
| Balance as of February 28, 2007 | 603 | - | 13,518 | 105 | 14,226 | 35,607 | 188,659 |
| Changes during the interim fiscal period | | | | | | | |
| Reversal of land revaluation surplus | | | ▲771 | | ▲771 | | - |
| Interim net profit | | | | | | | 46,033 |
| Disposal of treasury stock | | | | | | | 0 |
| Acquisition of treasury stock | | | | | | | ▲6 |
| Changes (net amount) of items other than shareholders' equity during the interim fiscal period | ▲467 | ▲0 | | 36 | ▲431 | 985 | 554 |
| Total changes during the interim period | ▲467 | ▲0 | ▲771 | 36 | ▲1,202 | 985 | 46,581 |
| Balance as of August 31, 2007 | 136 | ▲0 | 12,747 | 141 | 13,024 | 36,592 | 235,240 |

Interim Consolidated Statement of Operations

(Unit: million yen)

| | Previous Interim Period (From March 1, 2006 to August 31, 2006) | Current Interim Period (From March 1, 2007 to August 31, 2007) | Previous Fiscal Year (From March 1, 2006 to February 28, 2007) |
|--|--|---|---|
| Operating revenues | 672,112 | 600,381 | 1,283,888 |
| Net sales | 551,530 | 485,443 | 1,046,958 |
| Other operating income | 120,582 | 114,938 | 236,930 |
| Cost of revenues | 391,165 | 338,714 | 734,887 |
| Gross operating income | 280,947 | 261,667 | 549,001 |
| Selling, general and administrative expenses | 255,497 | 256,512 | 500,693 |
| Operating income | 25,450 | 5,155 | 48,308 |
| Non-operating revenue | 2,169 | 1,047 | 3,843 |
| Non-operating expenses | 8,019 | 4,819 | 14,863 |
| Net interest expenses | 6,495 | 3,567 | 12,062 |
| Ordinary income | 19,600 | 1,383 | 37,288 |
| Extraordinary gains | 42,819 | 68,756 | 89,980 |
| Extraordinary losses | 42,567 | 58,714 | 77,177 |
| Net income before taxes and minority interests | 19,852 | 11,425 | 50,091 |
| Corporate, local and enterprise taxes | 4,154 | 11,878 | 13,465 |
| Adjustment for corporate taxes | ▲ 3,777 | ▲ 33,829 | ▲ 12,110 |
| Minority interests | 6,122 | ▲ 12,657 | 7,438 |
| Net income | 13,353 | 46,033 | 41,298 |

Interim Consolidated Statement of Cash Flows

(Unit: million yen)

| | Previous Interim Period (From March 1, 2006 to August 31, 2006) | Current Interim Period (From March 1, 2007 to August 31, 2007) | Previous Fiscal Year (From March 1, 2006 to February 28, 2007) |
|---|--|---|---|
| Cash flows from operating activities | ▲ 7,516 | 1,114 | ▲ 12,053 |
| Cash flows from investing activities | 31,944 | 89,501 | 148,198 |
| Cash flows from financing activities | ▲ 51,142 | ▲ 103,336 | ▲ 179,122 |
| Foreign currency translation adjustments on cash and cash equivalents | - | ▲ 9 | - |
| Net decrease in cash and cash equivalents | ▲ 26,714 | ▲ 12,730 | ▲ 42,977 |
| Cash and cash equivalents at beginning of the Period | 169,336 | 126,359 | 169,336 |
| Cash and cash equivalents at end of interim period (the end of the accounting period) | 142,622 | 113,629 | 126,359 |

(Scope of consolidation)

Consolidated subsidiaries 48

Major companies OMC Card, Inc., Gourmet City Kanto, and Gourmet City Kinki, Nakago,
Japan Distribution Leasing Corp., Big-A, Fun Field, OPA Co., Ltd.

(Application of equity accounting)

Affiliates accounted for under equity accounting 11

Major companies Maruetsu, Inc., Fujisoft DIS Co., Ltd.

Segment Information (Current Interim Period)

(Unit: million yen)

| | Retail | Finance | Others | Total | Elimination or corporate | Consolidations |
|-------------------------------------|----------------|---------------|---------------|----------------|--------------------------------|----------------|
| Operating revenues | 499,417 | 82,958 | 44,745 | 627,120 | (26,739) | 600,381 |
| Customers | 494,297 | 77,499 | 28,585 | 600,381 | - | 600,381 |
| Intersegment sales and transfers | 5,120 | 5,459 | 16,160 | 26,739 | (26,739) | - |
| Operating expenses | 498,238 | 81,152 | 42,499 | 621,889 | (26,663) | 595,226 |
| Operating income | 1,179 | 1,806 | 2,246 | 5,231 | (76) | 5,155 |

(Note) Amounts included in the Interim Consolidated Balance Sheet, the Interim Consolidated Statement of Operations, the Interim Consolidated Statement of Changes in Shareholders' Equity, the Interim Consolidated Statement of Cash Flows and Segment Information have been rounded off to the nearest million yen.

Financial Condition: Condensed Interim Non-consolidated Financial Statements

Interim Non-consolidated Balance Sheet

(Unit: million yen)

| | Previous Interim Period (As of August 31, 2006) | Current Interim Period (As of August 31, 2007) | Previous Fiscal Year (As of February 28, 2007) |
|--|--|---|---|
| (Assets) | | | |
| Current assets | 243,892 | 184,360 | 184,876 |
| Fixed assets | 451,005 | 315,257 | 368,473 |
| Property and equipment | 228,521 | 142,722 | 150,773 |
| Intangible fixed assets | 4,271 | 4,012 | 2,985 |
| Investments and other assets | 218,213 | 168,522 | 214,716 |
| Total Assets | 694,897 | 499,617 | 553,349 |
| (Liabilities) | | | |
| Current liabilities | 114,523 | 223,810 | 315,616 |
| Fixed liabilities | 458,117 | 78,629 | 87,886 |
| Total liabilities | 572,640 | 302,438 | 403,502 |
| (Net Assets) | | | |
| Shareholders' equity | 107,460 | 184,431 | 136,328 |
| Capital stock | 56,517 | 56,517 | 56,517 |
| Capital surplus | 56,014 | 56,014 | 56,014 |
| Retained earnings | ▲ 3,257 | 73,724 | 25,616 |
| Treasury stock | ▲ 1,814 | ▲ 1,824 | ▲ 1,819 |
| Gains/losses from valuations and exchange adjustments | 14,797 | 12,747 | 13,518 |
| Net unrealized gain on available-for-sale securities | 1 | 1 | 1 |
| Deferred gain on derivatives accounted for under hedge accounting | 0 | ▲ 0 | - |
| Land revaluation surplus | 14,796 | 12,747 | 13,518 |
| Total Net Assets | 122,257 | 197,179 | 149,847 |
| Total Liabilities and Net Assets | 694,897 | 499,617 | 553,349 |

Interim Non-consolidated Statement of Operations

(Unit: million yen)

| | Previous Interim Period (From March 1, 2006 to August 31, 2006) | Current Interim Period (From March 1, 2007 to August 31, 2007) | Previous Fiscal Year (From March 1, 2006 to February 28, 2007) |
|---|--|---|---|
| Operating revenues | 443,579 | 417,340 | 869,892 |
| Net sales | 422,521 | 394,122 | 826,907 |
| Other operating income | 21,058 | 23,218 | 42,984 |
| Cost of revenues | 318,185 | 296,613 | 620,322 |
| Gross operating income | 125,394 | 120,727 | 249,569 |
| Selling, general and administrative expenses | 124,514 | 119,684 | 245,437 |
| Operating income | 880 | 1,043 | 4,132 |
| Non-operating revenue | 6,791 | 4,153 | 10,871 |
| Non-operating expenses | 7,369 | 4,513 | 13,899 |
| Ordinary income | 302 | 684 | 1,104 |
| Extraordinary gains | 51,623 | 56,943 | 93,718 |
| Extraordinary losses | 44,175 | 10,737 | 59,834 |
| Net income before taxes and minority interests | 7,750 | 46,889 | 34,987 |
| Corporate, local and enterprise taxes | ▲351 | 171 | ▲1,361 |
| Adjustment for corporate taxes | ▲3,438 | ▲619 | ▲2,787 |
| Net income | 11,539 | 47,337 | 39,135 |

Interim Non-consolidated Statement of Changes in Shareholders' Equity

(Unit: million yen)

| Current Interim Fiscal Period (From March 1, 2007 to August 31, 2007) | Shareholders' equity | | | | |
|---|----------------------|------------------------------------|--|----------------|----------------------------|
| | Capital stock | Capital surplus Capital reserve | Retained earnings Other capital surplus / Retained earnings to be carried forward | Treasury stock | Total shareholders' equity |
| Balance as of February 28, 2007 | 56,517 | 56,014 | 25,616 | ▲1,819 | 136,328 |
| Changes during the interim fiscal period | | | | | |
| Reversal of land revaluation surplus | | | 771 | | 771 |
| Interim net profit | | | 47,337 | | 47,337 |
| Disposal of treasury stock | | | ▲0 | 1 | 0 |
| Acquisition of treasury stock | | | | ▲5 | ▲5 |
| Changes (net amount) of items other than shareholders' equity during the current interim period | | | | | |
| Total changes during the interim 1 period | - | - | 48,108 | ▲5 | 48,103 |
| Balance as of August 31, 2007 | 56,517 | 56,014 | 73,724 | ▲1,824 | 184,431 |

| Current Interim Fiscal Period (From March 1, 2007 to August 31, 2007) | Gains/losses from valuations and exchange adjustments | | | | Total net assets |
|---|---|----------------------------|---------------------------|--|------------------|
| | Unrealized gain/loss on other available-for-sale securities | Deferred hedge gain/losses | Land re-valuation surplus | Total gains/losses from valuation and exchange adjustments | |
| Balance as of February 28, 2007 | 1 | - | 13,518 | 13,518 | 149,847 |
| Changes during the interim fiscal period | | | | | |
| Reversal for compensation of losses | | | | | - |
| Reversal of land revaluation surplus | | | ▲771 | ▲771 | - |
| Interim net profit | | | | | 47,337 |
| Disposal of treasury stock | | | | | 0 |
| Acquisition of treasury stock | | | | | ▲5 |
| Changes (net amount) of items other than shareholders' equity during the current interim period | 0 | ▲0 | | ▲0 | ▲0 |
| Total changes during the interim 1 period | 0 | ▲0 | ▲771 | ▲771 | 47,332 |
| Balance as of August 31, 2007 | 1 | ▲0 | 12,747 | 12,747 | 197,179 |

(Note) Amounts included in the Interim Balance Sheet, the Interim Statement of Operations and the Interim Statement of Changes in Shareholders' Equity have been rounded off to the nearest million yen.

Corporate Profile /Stock Information

Corporate Profile (as of August 31, 2007)

Company Profile

Company Name: The Daiei, Inc.
Date of Establishment: April 10, 1957
Capital: 56,517,235,250 yen
Number of employees: 5,825
Number of stores: 208

Major Offices

Head Office: 4-1-1, Minatojima Nakamachi
Chuo-ku, Kobe 650-0046
Headquarters: 2-2-20, Toyo, Koto-ku
Tokyo 135-0016
Inquiries: (03) 6388-7272

Board of Directors and Officers:

Chairman

Yoshiharu Kawato

Vice Chairman

Fumiko Hayashi

President

Toru Nishimi

Managing Directors

Kouji Yamazaki (General Manager in charge of Merchandise)

Yoshiaki Takahashi (General Manager in charge of Human Resources & Workforce Development,
General & Legal affairs)

Hikaru Minami (General Manager in charge of Finance, and Store Renovation, Real Estate & Tenant
Business)

Akinori Yamashita (General Manager in charge of Accounting)

Directors

Keiji Nakamae (General Manager in charge of System & Distribution, Store Improvement)

Hiroyuki Ozaki (General Manager in charge of Retail Business)

Seishiro Sato (Divisional Manager of Corporate Planning Division)

Outside Directors

Tetsuro Sakamoto

Corporate Auditors (Full-time)

Tomoyuki Kamata*

Corporate Auditors

Masanori Sasaki*

Masaaki Toyoshima*

(Note) Corporate Auditors marked with * are Outside Corporate Auditors.

Stock Information**State of stocks**

Total Number of authorized shares

307,000,000 shares

Common stock ...207,000,000 shares

Class-*Kou* classified shares...100,000,000 shares

Number of outstanding shares

199,038,787 shares

Common stock...122,597,537 shares

Class-*Kou* classified shares...76,441,250 shares

Number of shareholders

Common stock...98,717

Class-*Kou* classified shares...3**Principal Shareholders (Common stock)**

| Name of shareholder | Amount of equity in the Company | |
|---|--|------------------------------------|
| | Number of shares held (thousand shares) | Percentage of voting rights (%) |
| DRF Limited | 23,292 | 11.79 |
| State Street Trust and Banking Company, Ltd. | 10,281 | 5.21 |
| Marubeni Retail Investment Co., Ltd. | 9,951 | 5.04 |
| Bank of New York, GGM Client Accounts EISG | 2,234 | 1.13 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,078 | 1.05 |
| Japan Trustee Services Bank, Ltd. | 1,960 | 0.99 |
| Bank of Tokyo - Mitsubishi UFJ | 1,803 | 0.91 |
| Marubeni Foods Investment Co., Ltd. | 1,739 | 0.88 |
| Japan Securities Finance Co., Ltd. | 1,654 | 0.84 |
| Credit Suisse (Zurich) | 1,571 | 0.80 |

Principal Shareholders (Class-*Kou* classified share)

| Name of shareholder | Amount of equity in the Company | |
|--------------------------------------|--|------------------------------------|
| | Number of shares held (thousand shares) | Percentage of voting rights (%) |
| Marubeni Corporation | 36,629 | 18.54 |
| AEON Co., Ltd. | 29,860 | 15.12 |
| Marubeni Retail Investment Co., Ltd. | 9,951 | 5.04 |

(Notes)

1. As of August 31, 2007, the Company's shares with voting rights are common shares and Class-Kou classified shares, and the total number of voting rights is 3,950,439. One of the Company's voting rights is equivalent to 50 shares.
2. Marubeni Corporation holds 18.55% of the Company's voting rights including Class-Kou classified shares.
3. Marubeni Retail Investment holds 10.08% of the Company's voting rights including Class-Kou classified shares.

Distribution of shareholders by type (Common Stock)

Total Number of Common stock

122,597 thousand shares

- Other entities 30.57% (37,490 thousand shares)
- Foreign entities 27.91% (34,215 thousand shares)
- Individuals, others 27.69% (33,948 thousand shares)
- Financial institutions 10.87% (13,314 thousand shares)
- Securities companies 2.47% (3,028 thousand shares)

Shareholders' Memo

Fiscal year: From March 1 to last day of February of the following year

Ordinary General Meeting of Shareholders: Held in May every year

Day of reckoning: Ordinary General Meeting of Shareholders... Last day of February of every year

Year-end dividends... Last day of February of every year

Interim dividends... August 31 of every year

Other dates determined by prior announcement as necessary

Transfer Agent: Sumitomo Trust & Banking Co., Ltd.

4-5-33, Kitahama, Chuo-ku, Osaka

Administrative Handling Office of the Transfer Agent:

Stock Transfer Agency Department, Sumitomo Trust & Banking Co., Ltd.

4-5-33, Kitahama, Chuo-ku, Osaka

Mailing Address: Stock Transfer Agency Department, Sumitomo Trust & Banking Co., Ltd.

1-10, Nikkocho, Fuchu-shi, Tokyo 183-8701

Telephone Inquiries: Requests for address change forms and other forms: 0120-175-417

Other inquiries: 0120-176-417

Web page address: <http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html>

Notifying Offices for the Transfer Agent: All branches of Sumitomo Trust & Banking Co., Ltd.

Method of public notice: The method of electronic public notices will be employed. If for unforeseeable reasons electronic public notice is not possible, notices will be placed in the Nihon Keizai Shimbun.

Web page address for public address: <http://www.daiei.co.jp/corporate/ir/>

Stock Listings: Osaka, Tokyo, Nagoya, Fukuoka, Sapporo

One Unit Share: 50 shares

Purchasing back or further purchasing of shares of less than One Unit Share: For requests to purchase back or further purchase shares of less than One Unit (one to 49 shares), please contact the above administrative handling offices of the Transfer Agent. Those shareholders using the Securities Depository System should contact their securities company.

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